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Chairman's summary of the industry segment of the sixth session of the Commission on Sustainable Development

(21 and 22 April 1998)

1. The new programme of work of the Commission on Sustainable Development for the period 1998-2002, recommended by the General Assembly at its nineteenth special session and approved by the Economic and Social Council in its resolution 1997/63, provides for policy discussion, exchanges of experiences and elaboration of common approaches within specific economic sectors having strong linkages to environmental and natural resource issues. The Bureau of the fifth session of the Commission, at its meeting held on 2 and 3 October 1997, suggested that the sixth session of the Commission include a separate "industry segment" to provide an interactive dialogue on industry and sustainable development between the representatives of industry (both the business community and trade unions), non-governmental organizations, Governments and international organizations.

2. Four themes were identified for discussion during the industry segment: responsible entrepreneurship; corporate management tools; technology cooperation and assessment; and industry and freshwater.

3. An interactive dialogue among the representatives of Governments, industry, trade unions, non-governmental organizations and other major groups – a constructive innovation in the work of the Commission in response to the outcome of the nineteenth special session of the General Assembly – contributed to the Commission's intergovernmental process. It was also a learning experience, the results of which would need to be taken fully into account by the Commission in preparing for similar events during future sessions. At such future events, it would be important to secure a better balance with respect to the participation of representatives from developed and developing countries in the delegations of major groups.

4. The summary set out below was prepared by the Chairman of the Commission. While the format of the summary does not allow all the views expressed to be reflected in detail, an attempt is made to highlight some general conclusions which met with broad agreement among the participants, those which require more dialogue and better understanding, and specific initiatives suggested by participants.

5. It is expected that the dialogue launched during the industry segment will stimulate further action and collaboration, both within and beyond the aegis of the Commission, to foster stronger partnerships among Governments, as well as between Governments and all other partners concerned, aimed at achieving sustainable development worldwide.

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I. Responsible entrepreneurship

6. Participants recognized the important role of responsible entrepreneurship and voluntary initiatives in support of sustainable development, but noted that, although much progress had been achieved by industry, more needed to be done to build upon those achievements. In this regard, it was important to promote the practice of responsible entrepreneurship within more sectors, particularly among small and medium-sized enterprises (SMEs). It was suggested that more work was necessary to clearly define terms and concepts related to voluntary initiatives and to develop appropriate mechanisms for evaluating the effectiveness and successful characteristics of those initiatives.

7. Representatives of trade unions stressed that responsible entrepreneurship should incorporate democratic principles of participation to promote the participation of workers, trade unions and civil society in decision-making and implementation. Industry was also urged to recognize the need for universal compliance by industry with core labour standards, as contained in International Labour Organization (ILO) conventions, and to expand productive employment, reduce unemployment, enhance social protection and reduce the vulnerability of the poorest groups.

8. Representatives of industry were of the opinion that they demonstrated a strong commitment to improving environmental performance through voluntary initiatives such as the chemical industry's Responsible Care programme in many countries, as well as initiatives built on the concept of continuous improvement. Representatives of industry suggested that voluntary initiatives should be sector, industry and country specific because no "one size fits all".

9. Participants generally agreed that there should be an integrated approach to promoting responsible entrepreneurship and voluntary initiatives and, in addition to the regulatory framework and incentives provided by Governments to encourage voluntary compliance, there should also be active participation by all stakeholders in the process. It was also important to develop new partnerships between industry, government and other stakeholders.

10. Many participants stressed that, with the spreading practice of responsible entrepreneurship and increasing use of voluntary initiatives, it was important to continue to improve the quality of the reporting of such practices. Concerns were expressed that one of the weaknesses of current corporate reporting was the absence of information that would permit an assessment of the contribution of voluntary initiatives towards achieving sustainability.

11. Representatives of trade unions, supported by non-governmental organizations, presented the view that, in general, voluntary initiatives should have the following features: transparency, accountability and workplace mechanisms to ensure the participation of workers and trade unions; allow monitoring and assessment of corporate practice, beginning with the workplace; ensure access to information for workers, community members and Governments to evaluate the effect of corporate decisions and practices; set quantifiable objectives and comply with environmental law; reflect indicators of sustainable development promoted by ILO; and incorporate the principles of the "right to know", "whistle-blower protection" and the "right to refuse" work where workplace activities were shown to be harmful to the environment.

12. With regard to government policies, many participants emphasized that Governments had an important role to play in promoting responsible entrepreneurship because voluntary initiatives by industry complemented rather than replaced government intervention. In order to promote responsible entrepreneurship, Governments should provide the necessary regulatory framework and use appropriate market mechanisms, including incentives, to encourage actions and behaviour on the part of industry that supported the goal of sustainable development. The use of incentives, for example, could encourage industry to achieve improvements beyond minimum standards. As employment was a cornerstone of sustainable development, education and training policies should be designed to incorporate key elements of sustainable development.

13. A number of speakers stressed that Governments had a crucial role to play in promoting the integration of the social and environmental objectives of sustainable development within industry. Particular attention should be given to developing support programmes to promote responsible entrepreneurship among SMEs. Particular attention should be given to developing appropriate partnerships with non-governmental organizations, trade unions and SMEs by providing financial support, technical training and other capacity-building resources to foster responsible entrepreneurship.

14. Participants recommended that Governments develop an effective dialogue with industry and stakeholders to promote the development of voluntary initiatives and programmes to reach well-defined and time-bound objectives. In partnership with business and industry and international organizations, Governments should promote

the development of performance indicators to facilitate the quantification and comparison of the environmental and social performance of companies.

15. In addressing the role of industry, several speakers noted the progress achieved in promoting responsible entrepreneurship since the Rio Summit but stressed that more needed to be done to extend and improve the contribution of industry in that area. They considered it important that industry continue to promote best practices. Representatives of industry noted that it was in their own interests to promote sustainable development for the long-term viability of industry.

16. Participants acknowledged that some progress had been made in the reporting on voluntary initiatives and agreements by industry. However, it was noted that in order to improve the quality and scope of reporting, more work was needed to quantify the environmental and social progress achieved by industry. In particular, reporting on social progress was in its infancy.

17. In particular, representatives of non-governmental organizations urged industry to improve its reporting on voluntary initiatives by addressing adequately the issues of transparency, independent verification, standardization and stakeholder involvement. Representatives of trade unions added that the assessment of progress made in a sector or country needed to be facilitated through the development of a set of relevant indicators and metrics.

18. Turning to the role of the industry associations, participants urged those associations to continue and expand proactive servicing of the sustainable development needs of their members and emphasized that they could play key roles, for example, in developing substantive voluntary codes of conduct and building the commitment of the membership to those codes.

19. In view of the fact that foreign direct investment (FDI) was an important vehicle for promoting responsible entrepreneurship, industry was invited to direct more FDI to the least developed countries. Such FDI could complement official development assistance (ODA) and help to spread better business practices into developing countries. Representatives of industry suggested that donors consider an increased share of ODA for capacity-building aimed at creating conditions favourable to the flow of FDI, particularly in least developed countries.

20. The participants highlighted the role of the international community in promoting responsible entrepreneurship, and representatives of non-governmental organizations and trade unions recommended that the sustainable development dimension should be incorporated into international agreements, including agreements in the World Trade Organization and the Multilateral Agreement on Investment currently being negotiated by countries members of the Organisation for Economic Cooperation and Development.

21. In this context, participants emphasized that a global approach was necessary to ensure that environmental and social goals were clearly identified and pursued. The international community should continue to develop, assess and disseminate best practices.

22. Representatives of non-governmental organizations, with support from trade unions, proposed a review by all major groups of voluntary initiatives undertaken by industry. The major groups planned to meet to consider the elements and goals of such a review. Representatives of industry proposed organizing such a meeting in the third quarter of 1998.

II. Corporate management tools for sustainable development

23. The merits of various corporate management tools for sustainable development were discussed, and it was generally agreed that the use of corporate management tools had benefits for industry and other stakeholders. However, it was stressed that no one tool could solve all problems and that each tool had specific strengths and limitations. What was necessary were "tool boxes", on the understanding that companies would need the flexibility to choose the methods best suited to their particular organizational characteristics.

24. There was a large measure of agreement that education, training, technical assistance and information collection and dissemination were crucial for corporate management tools to be successfully implemented. There was also widespread agreement that the special situation and role of small and medium-size enterprises, especially in developing countries, warranted particular attention. With regard to the implementation of voluntary environmental management systems, it was noted that the involvement of all stakeholders would ensure the best results. Some participants felt that environmental management systems should incorporate independent third-party verification, monitoring of implementation and public reporting of results. On this issue, representatives of trade unions felt that workplaces should be seen as a major focus of action to implement sustainable development goals, and urged that training be utilized by all sectors to promote the knowledge

and attitudinal changes necessary for cleaner production, waste reduction, pollution control and energy conservation.

25. Participants stressed that good environmental management should be seen as a long-term process of continual learning and improvement. It entailed an internal transformation that increased awareness, involved employees and changed organizational behaviour. Environmental protection, health and safety systems were fundamental, providing the structure that supported the integration of sustainable development into the day-to-day operation of business, and should be encouraged in companies of all sizes and sectors. Essential elements of an environmental management system included environmental reporting, auditing, objectives, accounting and indicators. Other tools included the precautionary principle, cleaner production, eco-efficiency, life-cycle assessment, durability and design for the environment.

26. With regard to government policies, participants noted that Governments had an important role to play in promoting the use of corporate management tools that improved the performance of industry in meeting the objectives of sustainable development. To this end, Governments should provide regulatory frameworks and incentives to encourage industry to more widely employ corporate management tools such as environmental management systems in order to improve their environmental performance.

27. The view was expressed that Governments should promote fair and rigorous certification and accreditation in order to safeguard the credibility of national, regional and international standards of management systems.

28. Regarding the role of industry in promoting corporate management tools, participants noted that the implementation of tools such as environmental management systems was increasing. Participants urged industry to continue to improve its environmental performance and to increase its collection and dissemination of data in order to demonstrate that progress, and to keep stakeholders informed of its policies and practices. Business and industry should continue to explore possibilities for verifying adherence to voluntary initiatives such as ISO-14001 and the Eco-Management and Audit Scheme (EMAS).

29. Industry should also develop strategies for bringing SMEs into the mainstream of good environmental management and for using investment, trade and markets to disseminate good practices, technologies and expertise to developing countries and countries with economies in transition. Multinational companies could play an important role by increasing their cooperation with SMEs. Partnerships with government and other stakeholders would be crucial to supporting that effort.

30. Furthermore, companies should work with suppliers to spread best practices and support efforts to implement ILO core labour standards and international environmental standards.

31. Representatives of trade unions urged industry to ensure that corporate management tools included the following functions: provide for democratic decision-making in the workplace and participatory mechanisms to involve workers and their trade unions; build on progress made within an industrial relations context which included collective bargaining and other forms of workplace-based agreements between employers and trade unions; promote joint workplace target-setting by employers and trade unions, and encourage joint monitoring programmes, evaluation processes and implementation measures; and promote training and education of workers to enable them to be fully involved in environmental management systems.

III. Technology cooperation and assessment

32. Representatives of industry provided a working definition of technology cooperation and suggested that successful technology cooperation required an efficient market system that provided the financial incentives necessary for technological innovation and investment in modern technology. Technology cooperation and assessment (TCA) was an important mechanism for progressing towards sustainable development. They suggested that market mechanisms provide the primary vehicle for TCA. Moreover, exchange of technologies should be a two-way street. Representatives of industry were of the view that TCA and foreign direct investment, together with increased international trade, had contributed to rapid economic growth and poverty alleviation in several developing countries. They stated that an enabling political and policy framework was required, for example, with regard to political and economic stability, intellectual property rights and an adequate legal framework, and fighting corruption. However, they maintained that it was equally important to ensure that overly restrictive legislation did not encourage the transfer of bad and inappropriate technologies, and to establish joint initiatives to facilitate investment. It was also required that knowledge, skills and equipment be transferred between actors at the local, national and international levels.

33. There appeared to be widespread agreement that technology cooperation should involve the highest degree of safety and environmental protection that was reasonably achievable. Transfer of efficient technologies should be accompanied by high environmental, health and safety standards.

34. Furthermore, some participants emphasized that technologies should be properly assessed, introduced and reviewed in order to avoid causing environmentally and socially adverse impacts in recipient countries. This required advanced education and training. Access to information was crucial and could be supported by a clearing-house mechanism. Representatives of non-governmental organizations called for talent and technology banks to be established at the regional level with the involvement of all stakeholders. As well as acting as clearing houses, such information banks could make available unbiased information on endogenous environmentally sound technologies and the technologies of indigenous people. They could also promote joint venture development and local ownership of technologies, provide opportunities for scientists to work in their own countries and serve as an office to register and protect intellectual property rights.

35. There was widespread agreement on the need to explore the potential of publicly owned and publicly funded environmentally sound technologies since a proportion of those technologies were held or owned by Governments or public institutions, or resulted from publicly funded research activities.

36. With regard to the role of government, there was broad consensus that Governments should develop and implement policies to create a stable macroeconomic environment and an enabling legal and financial framework to facilitate technology cooperation and attract the foreign direct investment needed for the transfer and dissemination of environmentally sound technologies.

37. There was broad consensus that in order to improve the capacity of local industry to absorb and adapt new technologies, Governments should strengthen educational systems and, in cooperation with other major groups, expand opportunities for training in order to promote the integration of imported technology with locally available technology.

38. Many participants were of the opinion that Governments of developing countries could improve their bargaining capabilities in technology transfer agreements through increased technology assessment capacity. Representatives of non-governmental organizations advanced the view that developing countries, in order to maximize social, economic and environmental benefits, should focus their limited scientific and technical resources on improving their capacity to evaluate and bargain for foreign technology and expertise that would serve national priorities.

39. Many participants were of the opinion that Governments, in their efforts to safeguard the rights of indigenous people, should explore ways and means to compensate indigenous communities for knowledge used in patents on genetic resources.

40. They also felt that industry should further develop and strengthen safety guidelines to prevent adverse effects of technology, including health effects and industrial accidents.

41. Many participants considered that official development assistance should provide more resources for capacity-building in order to improve the absorption of imported technologies in developing countries.

42. International programmes to produce independent, credible verification of environmental technologies could assist users and regulators of technology to make informed decisions, and help suppliers of technology to reach global markets more quickly. The public would benefit through improved environmental quality. Many noted that further work was necessary to identify the types of verification programmes that could be effective.

43. Representatives of trade unions emphasized that technology transfer must serve to protect the environment, promote employment as a cornerstone of sustainable development, and be undertaken with the full range of risk assessment and control procedures already developed in the area of occupational health and safety. Transition programmes should be instituted for workers displaced because of technological change, and workers should be provided with training and education, including international worker exchange programmes, organized with the involvement of trade unions as a basis for effective technology transfer. Workers and trade unions should be involved in decisions affecting technology changes at the workplace.

44. Representatives of non-governmental organizations called for banks and international financial institutions to provide access to long-term financing for business development by non-governmental organizations utilizing environmentally sound technologies in independent or joint venture projects.

IV. Industry and freshwater

45. Several speakers noted that the twenty-first century would witness increasing competition for finite freshwater resources, and that all sectors needed to cooperate if society was to avert or minimize the adverse effects associated with emerging freshwater shortages. Comprehensive freshwater management strategies must involve all suppliers and users. Non-governmental organizations stressed that good water management could not be undertaken by a central Government and had to be designed according to local conditions, with problem-solving based on the involvement of all stakeholders, especially women and indigenous peoples, preferably at a subnational or local level. It was noted that over 1 billion people did not have access to safe drinking water, over 2 billion did not have access to adequate sanitation and 3 to 5 billion deaths per year resulted from water-related diseases.

46. Participants emphasized that the integrated watershed management approach had become absolutely necessary in water resource protection. It was imperative to consider the impact of industrial activities on the watershed where a particular industrial site was located, as well as on populations and areas downstream. The impact of the industrial facilities on the ecosystem should be addressed, and the best practices should be implemented in a collaborative approach. In that regard, trade unions felt that the issue of water must be approached in an integrated way, especially with regard to target-setting in the workplace.

47. Participants recognized that education and information were critical for local water resource protection and improving water quality. The involvement of women and indigenous people in improving water quality was especially critical.

48. As to the role of Governments, participants emphasized that special attention needed to be paid to the issue of full pricing of water. Considering that water was an economic, environmental and social good, some participants felt that its pricing should cover costs and risks associated with finding, processing, conserving and delivering water to end-users, as well as meeting the demands of social equity.

49. Participants also noted that agriculture was the largest water consumer and was a crucial sector for the evolution of government water policy, especially in countries experiencing water scarcity.

50. There was broad agreement that Governments should remain ultimately responsible for water protection, supply and delivery. They should play the major role in the treatment and delivery of water, protection of water from abuse, pollution prevention and the promotion of employment through improved management. Governments should establish or maintain standards to ensure the safety of water consumption and prevent health hazards associated with water-related diseases, in close collaboration with industry and other stakeholders.

51. Industry representatives suggested that Governments must accept that there were certain risks which only they could absorb. The private sector did not have the authority or capacity to deal with such problems as acquisition of land and rights of way for the installation of pipelines and plants at an economic cost; efficient performance by government-owned distribution companies with contracts to purchase water from private-sector water companies; and the financial impact of large changes in exchange rates.

52. There was general agreement that a more comprehensive management of water resources, including pollution control policies, was necessary. Appropriate regulations or economic incentives and institutional structures should be developed for internalizing the externalities that arose when one user affected the quantity and quality of water available to another group. The effects of damage caused by industries through pollution of surface water and groundwater needed to be taken into account in determining their water tariffs.

53. Participants noted that there was a growing consensus for greater private-sector involvement, taking into account the political, legal, cultural, institutional, financial and technical characteristics of water and sewage systems.

54. Many participants noted that industry could play an active role in a number of areas related to the demand for freshwater for human needs, including research and development of efficient new infrastructure for urban water supply and new technology for the reuse of urban wastewater.

55. Non-governmental organizations stressed that guidelines for monitoring biological and chemical toxicity at both water sources and delivery points could be developed by appropriate United Nations bodies.

56. In the area of sustainable provision of water to meet agricultural needs, some participants suggested that industry could help by promoting best practices in environmental management, including fertilizer and pesticide usage. In addition, some suggested that industrial research and development for improving irrigation technology should be strongly supported. In that context, targets for agriculture

use of water should be set and met. Non-governmental organizations representatives proposed that the Commission should initiate an ongoing dialogue of stakeholder groups to develop common criteria for good practices.

57. Many participants stressed that the environment was not just a sectoral user of water but played a fundamental role in maintaining the quality and supply of water resources for use for other purposes. Industry could assist in promoting effective environmental management of water and land resources. The chemical and fertilizer sectors, for example, had an important role to play in protecting water quality and life-supporting ecosystems.

58. Many participants suggested that workers and their trade unions be involved with employers in developing workplace eco-auditing tools to address problems of water management.

59. Some participants felt that industry should also develop standards to protect existing water quality and improve substandard sources. Decisions on siting industrial facilities should take into account the quality of the water resources to be used and the impact of the industrial activity on those resources.

60. Industry representatives suggested further work on defining the nature and pricing of natural resources, such as water, in particular the definition of social goods and how they should be monetarized and integrated in market prices. They suggested that two countries be invited to work together to evaluate how to achieve full cost-pricing and manage water tariffs. Two other countries could study how watershed management could contribute to water protection and enhance carbon sinks for greenhouse gases under the "Clean development" mechanism.

61. With respect to actions by the international community, many participants suggested that the United Nations system play an active role in harmonizing, at the international and national levels, the recommendations being made to countries for integrated water resources management strategies. In addition, they suggested that the United Nations system play a central role in the development and coordination of data and information networks, strengthen regional and global monitoring systems, conduct periodic global assessments and analyses, promote the broadest exchange and dissemination of relevant information, in particular to developing countries, and increase its role in education efforts.

62. They also suggested that international organizations promote technology transfer and research cooperation in collaboration with Governments and industry to foster sustainable agriculture practices that integrated efficient water use and prevented the pollution of surface water and groundwater.